PRELIMINARY QUESTIONS ON BOARD PACKET FOR APRIL 24, 2017 MEETING

1. Direct instructional costs per contact hour, and the five-year comparison shown on page 55 puts NMC near the top in the community colleges listed. Why is that?
   There are a couple of reasons our cost per contact hour is higher than other community colleges. One, we do have several high cost programs that many of the other community colleges do not have. These would include our Maritime and Aviation programs. Another reason our costs tend to be higher is the mix of fulltime faculty versus adjunct faculty. A survey conducted in fiscal year 2015 showed of the respondents NMC ranked third highest for percentage of fulltime faculty as a percentage of contact hours. Another cost saving method that some schools have gone to is a partnership with an outside company to pay adjuncts. This is a way to reduce the cost of MPSERS retirement which many adjuncts do not end up getting enough service years to qualify for any retirement benefits.

2. Page 56 shows NMC's Instructional Support Costs at the top of the group listed. Why is that?
   Instructional support includes activities such as library services, educational media technology, academic offices and chair positions. The number of chair positions maybe more than what other schools have on a fulltime equivalent basis. We do not have any survey data to know the detail for the comparison of FTE in this area. We do know that with our make-up of multiple campuses academic support is greater. Faculty professional development is also included in this category. We do know that among our peers nationally, we rank in the top 6% for providing professional development for faculty and staff.

3. Page 33 discusses the unrealized gains on bonds currently owned by NMC. Why not sell these bonds and realize the gain, in light of the continuing rate Increases which will likely erase these gains in the near future?
   The unrealized gain was in last fiscal year as of June 30, 2016. Currently for this fiscal year we have an unrealized loss of $282,741 because bond yields have gone up due to increased inflation expectations, an unexpected Trump election and higher anticipated Federal fiscal expenditures. Government Agency Bonds have mark to market fluctuations that change daily depending on prevailing interest rates, but are primarily bought with the intent to earn interest income and are held to call/maturity date. We have invested in a

laddered portfolio that allows for bonds to come due at various times so as to allow for us to have access to cash if needed. The portfolio is structured defensively with step bonds in order to provide for potential higher coupons in a rising interest rate environment. The portfolio is structured to provide a consistent income stream with relatively low risk. As a community college we are limited to what we can invest in per regulatory statute. Currently, our weighted average yield is approximately 1.4% with an effective duration just under 2 years.

4. Page 64 states that the Reserve for Any Future Reduction in State Appropriation Related to Retirement Plans should be 30% of annual State appropriations. The State appropriation for NMC on the last payment was $1,853,443. Governor Snyder has been the single proponent of making this allocation, and no candidate for Governor to date has made any statement of support for continuing these payments. What is the basis for assuming 30o/o is sufficient? Our current reserve of $651,000 would find us $1,202,443 short of the obligation, a significant number?
   The Board had decided, based on a recommendation from the President, to allocate a portion of reserves to help offset any possible fluctuation in state support for the pension liability payments. The reserves never fully supported the full payment obligation, but were intended to help smooth the effect of lost pension liability payments. The Board does have the discretion to reallocate other reserves in the event the state does not continue payments for the pension liability. We could also consider G-Reserve for any future reduction in state appropriation, as a funding source that could help smooth any reduction in state support of the pension liability.

5. Page 85 suggests recruiting outside the country as a source for revenue growth. Are the current discussions on limiting VISAS going to be a limiting factor for this?
   We currently have no plans for direct recruiting directed at those countries identified. However, anytime there is uncertainty in how the U.S. will treat and/or welcome internationals there is a possibility of a negative impact. We will monitor the situation and make adjustments as necessary. A comprehensive enrollment management plan, including international recruitment, will be completed in the near future and we will present this to the Board as an information item.